



JOHN NAIMO
ACTING AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 3, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo
Acting Auditor-Controller

A handwritten signature in black ink that reads "John Naimo".

SUBJECT: **DIGNITY HEALTH DBA CALIFORNIA HOSPITAL MEDICAL CENTER –
A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF
CHILDREN AND FAMILY SERVICES PROVIDER – CONTRACT
COMPLIANCE REVIEW**

We completed a contract compliance review of Dignity Health dba California Hospital Medical Center (CHMC or Agency), which included a sample of billings from Fiscal Years (FY) 2011-12 and 2012-13. The Department of Mental Health (DMH) contracts with CHMC to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Children and Family Services (DCFS) also contracts with CHMC to provide Family Preservation (FP) Program services. The FP Program provides services to children and their families, including prevention, intervention, transitional, and maintenance services.

The purpose of our review was to determine whether CHMC provided the services outlined in their County contracts, billed DMH for program services provided, and appropriately spent DMH and DCFS Program funds. DCFS performs their own review of FP Program services, so our review did not duplicate work they perform. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

During FY 2012-13, DMH paid CHMC approximately \$1 million on a cost-reimbursement basis, and DCFS paid the Agency approximately \$550,000 on a fee-for-

service basis for the FP Program. The Agency provides services in the First Supervisorial District.

Results of Review

DMH Program Review

CHMC staff assigned to the DMH Program had the required qualifications, and prepared Assessments and Progress Notes in accordance with the DMH contract. However, CHMC overbilled DMH \$606. Specifically, the Agency did not maintain sufficient documentation to support three (12%) of the 25 billings reviewed.

CHMC's attached response indicates that they will repay DMH \$606 and that Agency management implemented bi-monthly chart reviews by their Quality Assurance team to ensure that their Client Care Plans meet the DMH contract requirements.

DMH and DCFS Fiscal Review

CHMC maintained adequate controls over their cash and fixed assets, and their DMH Cost Report appropriately reconciled to their financial records. However, CHMC inappropriately charged \$36,991 to the DMH Program and \$6,530 to the FP Program. Specifically, CHMC:

- Charged the DMH Program \$35,109 in FY 2011-12 for 100% of the cost of a consultant who also worked on a non-DMH Program.
- Charged the DMH Program \$1,162 in FY 2011-12 and \$720 in FY 2012-13 in unallowable costs, including prior year and non-DMH Program expenditures.
- Charged the FP Program \$6,530 in FY 2012-13 for returning surplus FP funds from FY 2009-10 and FY 2010-11.

CHMC's attached response indicates that they will reduce their DMH Cost Reports, will adjust their Family Preservation Expenditures Report and repay DCFS \$6,530, and ensure that the program expenditures are allowable and supported with adequate documentation.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with CHMC, DMH, and DCFS. CHMC's attached response indicates they agree with our findings and recommendations. DMH and DCFS will work with CHMC management to ensure that our recommendations are implemented.

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We thank CHMC management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:sk

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Dr. Marvin J. Southard, Director, Department of Mental Health
Phillip C. Hill, Board Chair, California Hospital Medical Center
Craig G. Myers, Hospital President, California Hospital Medical Center
Public Information Office
Audit Committee

**DIGNITY HEALTH DBA CALIFORNIA HOSPITAL MEDICAL CENTER
DEPARTMENT OF MENTAL HEALTH AND FAMILY PRESERVATION PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2011-12 AND 2012-13**

DMH BILLED SERVICES

Objective

Determine whether Dignity Health dba California Hospital Medical Center (CHMC or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their DMH contract.

Verification

We selected 25 (3%) of the 905 approved Medi-Cal billings for October and November 2012, which were the most current billings available at the time of our review (September 2013). We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 25 billings represent services provided to 15 clients.

Results

CHMC prepared their Assessments and Client Care Plans in accordance with their DMH contract. However, CHMC overbilled DMH \$606 for three (12%) of the 25 billings, in which the Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the Client Care Plan objectives, as required by the DMH Provider's Manual, Chapter 2, Page 2-2. According to the Provider's Manual, each chart note must include a description of service provided, what was attempted and/or accomplished during the contact toward the attainment of a treatment goal.

Recommendations

California Hospital Medical Center management:

- 1. Repay the Department of Mental Health \$606.**
- 2. Ensure that Progress Notes are completed in accordance with their Department of Mental Health contract.**

STAFFING QUALIFICATIONS

Objective

Determine whether CHMC treatment staff had the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 11 (46%) of the 24 CHMC treatment staff who provided services to DMH clients during October and November 2012.

Results

Each employee reviewed had the qualifications required to provide the billed services.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether CHMC properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed CHMC personnel, and reviewed their financial records and May 2013 bank reconciliations.

Results

CHMC properly recorded revenue in their financial records, deposited their DMH and Department of Children and Family Services (DCFS) payments timely, and Agency management reviewed and approved bank reconciliations timely.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether CHMC's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to the DMH and Family Preservation (FP) Programs were allowable, properly documented, and accurately billed.

Verification

We reviewed the Agency's federally approved rate maintained in lieu of their Plan. We also reviewed the Agency's financial records for 38 (24 DMH and 14 FP) non-payroll expenditures, totaling \$111,244 (\$93,547 DMH and \$17,697), charged to the DMH and FP Programs from July 2011 through June 2013, and interviewed Agency personnel.

Results

CHMC appropriately allocated their shared costs based on their federally approved rate, and maintained documentation to support 77% of the DMH and FP Program expenditures reviewed. However, CHMC inappropriately charged \$36,991 to the DMH Program and \$6,530 to the FP Program. Specifically, CHMC:

- Charged the DMH Program \$35,109 in Fiscal Year (FY) 2011-12 for 100% of the cost of a consultant who also worked on a non-DMH Program. CHMC should have allocated the consultant fees to both Programs.
- Charged the DMH Program \$1,162 in FY 2011-12 and \$720 in FY 2012-13 in unallowable costs. Specifically, CHMC charged the DMH Program for computer software licenses purchased in the prior year, and for food and childcare services that benefitted a non-DMH Program.
- Charged the FP Program \$6,530 in FY 2011-12 for returning prior year surplus funds to DCFS. Specifically, CHMC repaid DCFS \$6,530 in April 2012 for unspent FP funds from FY 2009-10 and FY 2010-11, by recording the amount repaid as a FP Program expenditure. CHMC should not record the returned funds as their program expenditure since it is not an actual cost.

Recommendations**California Hospital Medical Center management:**

3. **Re-allocate the \$35,109 between Department of Mental Health and non-Department of Mental Health Programs, provide supporting documentation for allocation, and reduce the Fiscal Year 2011-12 Department of Mental Health Cost Report by the over allocated amount, and repay the Department of Mental Health for any excess amount received.**
4. **Reduce the Fiscal Year 2011-12 Department of Mental Health Cost Report by \$1,162 and the Fiscal Year 2012-13 Department of Mental Health Cost Report by \$720, and repay the Department of Mental Health for any excess amounts received.**

5. Reduce the Fiscal Year 2012-13 Family Preservation Program expenditures by \$6,530, and repay the Department of Children and Family Services for any excess amounts received.
6. Ensure that only allowable Program expenditures are charged to the Department of Mental Health and Family Preservation Programs.
7. Ensure that the Department of Mental Health and Family Preservation Program expenditures are supported with adequate documentation.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether CHMC's fixed assets and equipment purchased with DMH and FP funds were used for the appropriate Programs, and adequately safeguarded.

Verification

We interviewed CHMC personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of 22 (12 DMH and ten FP) items purchased with DMH and FP funds.

Results

CHMC adequately safeguarded, and used the items we reviewed for the DMH and FP Programs.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether CHMC appropriately charged payroll costs to the DMH and FP Programs, and maintained personnel files as required.

Verification

We compared the payroll costs for 17 (eight DMH, five FP, and four shared) employees, totaling \$74,363 (\$30,455 DMH, \$32,422 FP, and \$11,486 Shared), for June 2013 to the Agency's payroll records and time reports. We also interviewed staff and reviewed personnel files.

Results

CHMC maintained personnel files, and appropriately charged payroll costs to the DMH and FP Programs.

Recommendation

None.

DMH COST REPORT**Objective**

Determine whether CHMC's FY 2011-12 DMH Cost Report reconciled to their financial records.

Verification

We compared the Agency's FY 2011-12 DMH Cost Report to their financial records.

Results

CHMC's FY 2011-12 DMH Cost Report reconciled to their financial records.

Recommendation

None.



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June 10, 2014

John Naimo
Acting Auditor-Controller
County of Los Angeles
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

**RE: Dignity Health dba California Hospital Medical Center- Contract Compliance
Review FYs 2011-2012 and 2012-2013**

Dear Mr. Naimo:

We have reviewed the report prepared as a result of the contract compliance review of the Department of Mental Health and Department of Children and Family Services programs in September 2013. Our responses to the report are detailed below.

Billed Services

Recommendation #1: Repay the Department of Mental Health \$606.

Corrective Action: CHMC will repay the Department of Mental Health \$606 for three billings in which the progress notes did not adequately describe services in support of Client Care Plan objectives. The Department of Mental Health will receive payment of \$606 by August 31, 2014.

Recommendation #2: Ensure that Progress Notes are completed in accordance with their Department of Mental Health contract.

Corrective Action: Charts will be reviewed during the utilization review committee meeting, held twice monthly. This committee, which consists of the Quality Assurance Coordinator, clinical supervisor, program director and clinicians, is responsible for reviewing charts for to ensure that program notes fully describe the services attempted and or accomplished towards the Client Care Plan objectives. In addition, the program director has reviewed the requirements of the DMH Provider's Manual with all clinical personnel during all-staff and individual meetings. This issue will continue to be reinforced during subsequent meetings.

Expenditures

Recommendation #3: Re-allocate \$35,109 of a consultant fee who also worked on a non-DMH program and reduce the FY 11-12 DMH Cost Report by the over allocated amount and repay DMH for any excess amount received.

Corrective Action: CHMC will comply with the recommendation above.

Recommendation #4: Reduce the FY 11-12 DMH Cost Report by \$1,162 and the FY 12-13 DMH Cost Report by \$720, and repay DMH for any excess amounts received.

Corrective Action: CHMC will comply with the recommendation above.

Recommendation #5: Reduce the FY 12-13 Family Preservation Program expenditures by \$6,530 and repay the Department of Children and Family Services for any excess amounts received.

Corrective Action: CHMC will submit the revised expenditure reports, reflecting a reduction of \$6,530 and repay DCFS this amount by August 31, 2014.

Recommendation #6: Ensure that only allowable expenditures are charged to the Department of Mental Health and Family Preservation Programs.

Corrective Action: Only those expenditures that are necessary, proper, reasonable will be charged to the DMH and Family Preservation programs. The program director will review and approve all expenditures to ensure that they are allowable, allocable and accurately assigned to the appropriate program. Expenditure requests will not be submitted for payment unless reviewed and approved by the program director.

Recommendation #7: Ensure that the Department of Mental Health and Family Preservation Program expenditures are supported with adequate documentation.

Corrective Action: As detailed above, the program director will review and approve all expenditures to ensure that they are accurately applied to the appropriate program. Expenditure requests must include all supporting documentation, i.e. receipts, sign-in sheets. This supporting documentation will be maintained by the program director and administrative personnel.

We trust that we have responded to each of the recommendations and have proposed corrective actions that will facilitate our mutual goal. We appreciate our ongoing partnership with the Los Angeles County Departments of Mental Health and Children and Family Services to provide high-quality services to clients in Service Planning Area 4.

Should you have any questions, or require additional information, please feel free to contact me at (213) 742-6475 or via email at rachel.zupa@dignityhealth.org.

Sincerely,



Rachel Zupa
Director of Grants and Contracts